

COMMITTEE ON REAL ESTATE

June 20, 2017

A meeting of the Committee on Real Estate was held this date beginning at 3:51 p.m. at City Hall, First Floor Conference Room, 80 Broad Street.

Notice of this meeting was sent to all local news media.

PRESENT

Councilmember Waring, Councilmember Riegel (by phone & arrived at 4:23 p.m.), Councilmember Moody, and Mayor Tecklenburg **Staff:** Christopher Morgan, Collen Carducci, Frances Cantwell, Chip McQueeney, Florence Peters, Rick Jerue, and Bethany Whitaker, Council Secretary **Also Present:** Donald Cameron, President of Charleston Housing Authority, and Andy Abrams, Dean of Charleston School of Law

The meeting was opened with an invocation provided by Councilmember Riegel.

APPROVAL OF MINUTES

On the motion of Councilmember Riegel, seconded by Councilmember Moody, the Committee voted unanimously to approve the minutes of the May 22, 2017 Committee on Real Estate Meeting.

REQUEST APPROVAL FOR THE MAYOR TO EXECUTE THE FIRST AMENDMENT TO AMENDED AND RESTATED TRANSFER AND DEVELOPMENT AGREEMENT BETWEEN THE CITY AND CHARLESTON HOUSING AUTHORITY WHEREBY ADJUSTING THE CONSTRUCTION COMMENCEMENT AND COMPLETION TIMELINE AND ADJUSTING THE TIMELINE FOR THE CITY'S FINANCIAL CONTRIBUTE TO THE PROJECT (PARCELS WEST OF NASSAU STREET BETWEEN LEE AND COOPER STREET) [ORDINANCE]

Colleen Carducci stated that Mr. Cameron was there and could speak to this as well, but they were extending the construction commencement for an additional 6 month period. It had been December 31, 2017, but that was being moved to June 30, 2018, and accordingly the completion date would be 6 months out. It would be on or about those dates. The funding from the City was adjusted to the same time period, so they would be paying that to the Housing Authority prior to July 31, 2018 that had been January 31, 2018.

Mr. Cameron said that the primary reason was that they hoped to close last December, but there were some glitches, so this gave them a cushion. Hopefully, they would not need this extension.

Mayor Tecklenburg asked if they proceeded quickly and finished on time, if the City would still have until July 31, 2018 to give them the money. This was confirmed. Councilmember Waring asked if it affected Mr. Cameron in a negative way if it was stretched out and Mr. Cameron said that it did, but they accepted that.

On the motion of Councilmember Moody, seconded by Mayor Tecklenburg, the Committee voted unanimously to approve the Mayor to execute the First Amendment to Amended and Restated Transfer and Development Agreement between the City and Charleston Housing Authority whereby adjusting the

construction commencement and completion timeline and adjusting the timeline for the City's financial contribution to the project.

REQUEST APPROVAL FOR THE MAYOR TO EXECUTE THE GOVERNMENTAL REAL ESTATE LEASE WHEREBY THE CITY LEASES APPROXIMATELY 3,093 SQUARE FEET ON THE FIRST FLOOR OF THE GREENBURG MUNICIPAL BUILDING AT 180 LOCKWOOD BOULEVARD TO THE SOUTH CAROLINA DEPARTMENT OF MOTOR VEHICLES FOR THREE YEARS BEGINNING MARCH 1, 2017 [ORDINANCE]

Ms. Carducci had entered into a lease with the City in 1983. At that time, they were in the police station, but when the City built the Municipal building, it amended the lease so that it could move them into the Greenburg building. They did that because they had the obligation in accordance with the first lease to continue to provide them space. They had originally paid on the lease towards the construction cost, and paid utilities over time. Now that that lease had expired, this lease was coming forward which was a 3 year lease that allowed them to pay a fixed rate to the City for the rent and it was a gross rental payment. They would be paying \$6,200 per month, and it would increase 2% per year over the time. This was for the same space that they were currently occupying but the City would now get rent from them. Additionally, in the past, all of the parking in the area hadn't been charged for. They would pay for their place to park in the garage now, and the customers could stay parking on the front lot. They were doing that to encourage staff to park in the garage so that the front lot was available for customers.

Councilmember Moody asked if they were behind in the rent. Ms. Carducci said that they would pay all of the rent due, and they had not been up to this point. Once this was fully executed, they would pay the City back from March forward. They had to go through the process of procurement which took a while and they had agreed to March.

Councilmember Waring asked with the employees previously parking for free and now having to pay, why they wouldn't look at that as a pay cut. Ms. Carducci said she didn't know if the employees were paying, and she didn't know what the arrangement was. That hadn't been discussed. Councilmember Moody said that the DMV may be renting a certain number of spaces for their employees. Ms. Carducci said that it was in the Agreement that it would be paid as additional rent. Mayor Tecklenburg asked how many spaces it was and Ms. Carducci said it could go up to 14 spaces. It was \$125.

On the motion of Councilmember Moody, seconded by Mayor Tecklenburg, the Committee voted unanimously to approve the Mayor to execute the Governmental Real Estate Lease whereby the City leases approximately 3,093 square feet on the first floor of the Greenburg Municipal Building at 180 Lockwood Boulevard to the South Carolina Department of Motor Vehicles for three years beginning March 1, 2017.

REQUEST APPROVAL FOR THE MAYOR TO EXECUTE THE FIRST AMENDMENT TO INTERIM EASEMENT AGREEMENT AMENDING THE SITE PLAN TO INCREASE THE EASEMENT AREA FROM 60 FEET TO 80 FEET FOR THE NEW WEST EDGE RIGHT OF WAY. THE PROPERTY IS OWNED BY THE CITY OF CHARLESTON. (99 WEST EDGE; TMS: 460-00-00-032)

Ms. Carducci stated that this was for the street construction adjacent to 99 West Edge. The construction had been designed and anticipated to be an 80 foot right of way and that was the same right of way that would be by 10 West Edge. The actual street itself would be less than that, but they would have a wide

sidewalk along the edge adjacent to the building, with the intention of creating a sense of place. There would be gathering on the sidewalk. The disconnect from this and the reason for the Amendment was that it was designed and approved as 80 foot, but in the development agreement that they did, they did a 60 foot right of way because that was the current width of the street, but it included the additional 20 foot which was on the Hagood parking lot side of the street. The contractor had been building there and when it came to their attention that this had occurred, that they didn't have this included in their interim easement agreement, they needed to include this in their area of construction. They were coming with this, and additionally, at the next meeting, they would be bringing easement agreements with CPW related to the 99 West Edge project. In this 20 foot area, they would be constructing a water main that would go under that portion of the street, that would eventually become part of the right of way once the road construction was completed and dedicated to the City. Then, it wouldn't necessarily be required to have the CPW easement, however, they needed to turn the water on for the sprinkler system in the garage, so they were looking for approval of the easement that ran outside of the current street right of way.

Councilmember Moody asked if CPW would use the same right of way. Ms. Carducci said they would.

On the motion of Councilmember Moody, seconded by Mayor Tecklenburg, the Committee voted unanimously to approve the Mayor to execute the First Amendment to Interim Easement Agreement amending the site plan to increase the easement area from 60 feet to 80 feet for the new West Edge right of way.

REQUEST APPROVAL FOR THE MAYOR TO EXECUTE THE ATTACHED RESOLUTION WHEREBY AMENDING THE AGREEMENT FOR DEVELOPMENT FOR A JOINT COUNTY INDUSTRIAL PARK BETWEEN CHARLESTON COUNTY AND COLLETON COUNTY TO INCLUDE ADDITIONAL PROPERTY IN THE CITY OF CHARLESTON AS PART OF THE JOINT COUNTY INDUSTRIAL PARK (PROJECT DAILY: 1401 GREENLEAF STREET; BOOM TOWN: 0 MONROVIA STREET; PEOPLE MATTER: 466 KING STREET; TMS: 464-00-00-046, 464-10-00-091, 460-12-02-031, AND 460-12-02-032). PROPERTY OWNERS: PROJECT DAILY-AGRU AMERICAN CHARLESTON, LLC; BOOM TOWN – DIXIE KING STREET INVESTORS, LLC; PEOPLE MATTER – 466 KING STREET LLC)

Ms. Cantwell said that this concerned the addition of property to the multi-county industrial park that Charleston County had established in collaboration with Colleton County. An Industrial Park was when a wealthier county partnered with a poorer county, and they could use economic incentives to the respective counties. Charleston and Colleton Counties had this Industrial Park created for a number of years, and essentially the advantage to Colleton County was that it received 1.5 % of the property taxes generated from the properties, and the County received 7.5% and then used it to fund their economic development department to bring in more business. This item concerned adding three properties to the Park. Two of the properties (Boomtown and Agru-American) were in the Magnolia tiff, and the People Matter (Snag-a-Job) property was the in the King Street tiff, so in order to protect the revenue stream from the tiff, the County and the City came up with a proposal that said that the properties were in the tiff and they would bring these properties into the Park, but the revenues generated by the properties that went to the tiff would continue going to the tiff. The only property taxes that would continue coming off the properties would be on the initial assessed value or on any business property taxes. The

incentive for these properties was instead of getting \$1,000 per job tax credit, they could get up to \$2,500 per job. That was the incentive of wanting to be in the Park. It didn't affect the City's tiff money, and the job creation would have a ripple effect as it pertained to business licenses and things of that nature. Agru-American was getting some portion of the County's 7.5% because they had extensive site development costs.

Mayor Tecklenburg asked what would happen in a few years when the tiff was over. Ms. Cantwell said that was a good question, because she didn't think there had been no fee-in-lieu to the participants other than the tax credits, it shouldn't affect the City's tax stream when the tiff went away. Councilmember Moody said that when the tiff went away, the City would get more money. Ms. Cantwell said that it would probably be less money. Councilmember Moody said that they couldn't use the tiff money now because it had been redirected. Ms. Cantwell said she didn't do the numbers for this one, but that it wasn't a significant blow.

On the motion of Councilmember Moody, seconded by Mayor Tecklenburg, the Committee voted unanimously to approve the Mayor to execute the attached Resolution whereby amending the Agreement for Development for a Joint County Industrial Park between Charleston County and Colleton County to include additional property in the City of Charleston as part of the joint county industrial park.

REQUEST APPROVAL FOR THE MAYOR TO EXECUTE THE ATTACHED RESOLUTION WHEREBY AMENDING THE AGREEMENT FOR DEVELOPMENT FOR A JOINT COUNTY INDUSTRIAL PARK BETWEEN CHARLESTON COUNTY AND COLLETON COUNTY TO INCLUDE ADDITIONAL PROPERTY IN THE CITY OF CHARLESTON AS PART OF THE JOINT COUNTY INDUSTRIAL PARK. (1595 SAVANNAH HIGHWAY; TMS: 349-01-00-039). THE PROPERTY IS OWNED BY PEAROWITZ LLC.

Ms. Cantwell said that this was Call Experts located on Savannah Highway. They had added 310 jobs over the past year, and a business could contract with them to take complaints or be the answering service. They were expanding and asking to be put into the Industrial Park to take advantage of the tax credits for jobs. This Resolution had an attachment that showed a number of TMS #'s, but since it had gone to press, the County had collapsed all of the TMS numbers into one number.

On the motion of Councilmember Moody, seconded by Mayor Tecklenburg, the Committee voted unanimously to approve the Mayor to execute the attached Resolution whereby amending the Agreement for Development for a Joint County Industrial Park between Charleston County and Colleton County to include additional property in the City of Charleston as part of the Joint County Industrial Park.

AGREEMENT WITH CHARLESTON SCHOOL OF LAW REGARDING THE SALE OF WOOLFE STREET PROPERTY.

Ms. Cantwell stated that this had been a work in progress. The City had sold a piece of property at the corner of Meeting and Woolfe Streets to the Charleston School of Law about 10 years ago, and at the time it was envisioned that would be the site of the permanent campus for the School. In consideration of that, and wanting to keep the school downtown, the City agreed to sell it to them at a 25% discount. The purchase price was financed, and they had mortgage on the property and a note payable to the City for \$865,000. The school had been paying interest on the note since its inception; the note was

extended a few years ago, but it would be due July 1st. When the City conveyed the property it was subject to the possibility of a reverter which would be triggered in the event that the property was not used for Law School purposes. The Law School had some growing pains the last few years, but had seemed to turn it around with Ed Bell who had worked tirelessly to turn things around. They were operating in the black this year, and each class was getting larger. They expected a full class of 200 or more for the next incoming freshman class. They were now trying to determine what, if anything, they wanted to do with this property. It may turn out that it was not suitable for a campus because of the size, and so they came to the City to explore options for the property. They needed to deal with the note and the reverter in the event they wanted to sell/trade as a swap. They had been working with officials at the School over the past few weeks, and the proposal would be that the property would be appraised and put on the market immediately. If there was a purchase or sale, the City would get input on all of the offers received, but if an offer was received that met or exceeded the appraised value it would be accepted. The property would then be sold, and they would deduct from the purchase price the normal closing costs (Realtor's fee, appraisal cost, deed stamps), and then the City would get from the remaining money either, \$1.865 million (cost of note plus one million), or 25% of net proceeds of sale, whichever was greater. The reason they came up with the 25% was because the School had gotten a 25% discount. They didn't want to value the reverter for less than \$1 million.

If there was an offer over fair market value that the School didn't want to accept, the City would have a choice of them paying what the City would have gotten if the property sold. If there was a proposal to swap, the City would still receive the greater of the 1.865 million or 25% (25% capped at \$2 million because of the nuances of how people valued their property during an exchange).

This Agreement would be for two years, but hopefully less than that. If, at the end of two years, it hadn't sold, they could extend for a third year, but either party could give 60 day notice to say they didn't want to extend. During the two year period, the School would continue to pay interest on the note as it had for the last ten years. At the end of the two or three years, if the property still hadn't been sold, the Charleston School of Law would pay the principle of the note (\$865,000). Then, whenever it was transferred, by sale or exchange, the City would get 25% of the then appraised value. They would then sign the documents that were required to clear the property of restrictions and the reverter. Essentially this was saying that the City was dealing with how it valued the reverter now. This freed up a possibility for the School to turn this asset into something now if they wanted to.

Councilmember Moody asked if nothing happened and it wasn't bought, they would pay the \$865,000 and the reverter would go away. Ms. Cantwell said that the reverter would stay on the property until it was transferred, and then they would get the 25% of the value minus the \$865,000 they would have been paid. Mayor Tecklenburg said that as long as they owned the property they would still be using it for some Law School use, but they were in essence allowing them to sell and transfer at some point in the future. Their intent was to stay on the peninsula. They had a commitment for 7 more years. Councilmember Moody said that whatever they did, the asset was there for the City. Councilmember Waring said that he went way back on this, as he was there when the property was sold.

Councilmember Riegel arrived at 4:23 p.m.

Councilmember Waring asked how large the property was and it was confirmed that it was 1.06 acres. He asked what height district it was in and Mr. Morgan said that it would have a portion in the new 8 story district and part would be in the 4 or 5 stories. Councilmember Waring said that he was asking because there was a property on Woolfe Street where some people had bought it for \$3 million, got the height to go for 80 feet, and then turned around and sold it for \$8 million. He wondered if the zoning would be appropriate before they put it on the market. Mr. Abrams said that he thought if there was a way of increasing the value of the property before the sale; it would be beneficial to everyone.

On the motion of Councilmember Moody, seconded by Mayor Tecklenburg the Committee voted unanimously to approve the Agreement with Charleston School of Law regarding the sale of Woolfe Street Property.

CONSIDER THE FOLLOWING ANNEXATIONS:

- i. 938 Savannah Highway (TMS #: 418-13-00-191) 0.15 acre, West Ashley (District 3). The property is owned by Debra U. Myers.
- ii. 1796 Gun Club Road (TMS #: 354-03-00-052) 0.34 acre, West Ashley (District 2). The property is owned by Ronald A. and Victoria A. Rotzko.
- iii. 1642 Pierpont Avenue (TMS #: 353-03-00-129) 0.46 acre, West Ashley (District 10). The property is owned by Dan and Pamela Dugan.
- iv. 2093 Green Park Avenue (TMS #: 355-15-00-098) 0.40 acre, West Ashley (District 2). The property is owned by Laura A. Bradshaw.

On the motion of Councilmember Moody, seconded by Councilmember Riegel, the Committee voted unanimously to approve the above annexations.

Having no further business, the meeting adjourned at 4:28 p.m.

Bethany Whitaker
Council Secretary